

Internal Controls BULLETIN

Volume 4, Issue 7 – July 25, 2012

Monitoring your control environment

- It is important to continue working on your agency's control environment throughout the year.
- Ongoing monitoring of controls allows for early identification and correction of problems.
- Effective monitoring begins with a proper tone at the top, but all employees have some level of responsibility for monitoring.

Congratulations! By completing a control environment self-assessment and certification you have established an internal control baseline for your agency. Now it is time to build on all the hard work you have done. This includes working to resolve any action items identified during the assessment and putting monitoring procedures into place. Resist the temptation to file the assessment on a shelf and forget about it until next year!

Ongoing monitoring of control environment allows for early identification and correction of problems. Everyone within the agency has some level of responsibility for monitoring the control environment to ensure that it remains relevant and effective, and that any weaknesses are resolved in a timely manner.

Senior Management: Effective monitoring begins with a proper tone at the top. Through day-to-day practices and actions, senior management can effectively reinforce the agency's fundamental control environment goals and uphold the broad objectives identified in the control environment. Staff with appropriate capabilities, objectivity, and authority should be assigned to resolve any identified issues and monitor aspects of the control environment. Senior management should also watch for risks and opportunities in either the internal or external environment that might indicate a need for control environment reassessment.

Mid-Level Managers: Middle managers are responsible for how well controls are functioning in the units they oversee. They should be aware of how well supervisors understand internal controls and are monitoring those controls in their respective

units. Managers should ensure that staff members are competent, training is sufficient, and that management styles and philosophies foster accomplishment and completion of the agency's control environment objectives and goals.

Supervisors: Supervisors should monitor activities and transactions in their units to make sure that staff members are performing their assigned internal control responsibilities as intended. Supervisors should ensure that control activities are functioning properly, goals are accomplished, the unit's control environment is appropriate, communication is open and sufficient, and risks and opportunities are identified and properly addressed.

Staff: Staff should understand the importance of the control activities they perform and should be alert to and report any irregularities. They should monitor their own work to ensure propriety. Errors should be identified and corrected before work is referred to others for review. Staff should also note changes in their immediate internal and external environments, to identify any risks and to report opportunities for improvement. Front line employees' involvement with the details of the agency's daily operations allows them the best vantage point for detecting problems with existing control activities.

Suggested action steps: Identify individuals responsible for ongoing monitoring and the completion of outstanding control environment action items. Has a commitment been made to revisit the control environment self-assessment periodically?

If you have any questions, please contact Heidi Henry at Heidi.Henry@state.mn.us or 651-201-8078.

COSO Pyramid used with permission. Copyright 1992-2009. Committee of Sponsoring Organizations of the Treadway Commission. All rights reserved.



Distributed by Minnesota Management & Budget
658 Cedar Street | Centennial Office Building
St. Paul, Minnesota 55155